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MEMORANDUM FOR: Deputy Director for Operations
 SUBJECT: Draft Studies on Directorate of Operations

1. Thank you for the draft studies on your Directorate: Headquarters, overseas and paramilitary. I find them most interesting and stimulating and indeed responsive to my Guidance Letter. I will comment on each in turn.

I. Headquarters

2. Let me first disclaim any assertion that recent reductions reflect "an increasing loss of confidence" by me in clandestine operations. The cuts are merely a reflection of the cuts imposed on the Agency by a combination of our changed mission, increased technology costs and inflation (including personnel costs). It is precisely for the reason of getting out of a salami slicing approach to our problems that I requested this kind of a review of what the DO really should look like in the future.

3. Let me also indicate my full support of the study's position that we cannot make a mechanical application of field to Headquarters ratios or similar. These kinds of ratios are useful in raising certain questions, but I fully agree that the world they reflect is too varied to allow us to apply any such mechanical standards.

4. Let me also reflect my enthusiasm for your own success with the MBO system in the DDO, and your faithful semi-annual review of its effectiveness. I believe this has indeed led to the very substantial improvement in productivity from our clandestine operations, evidenced by your excellent recruitment

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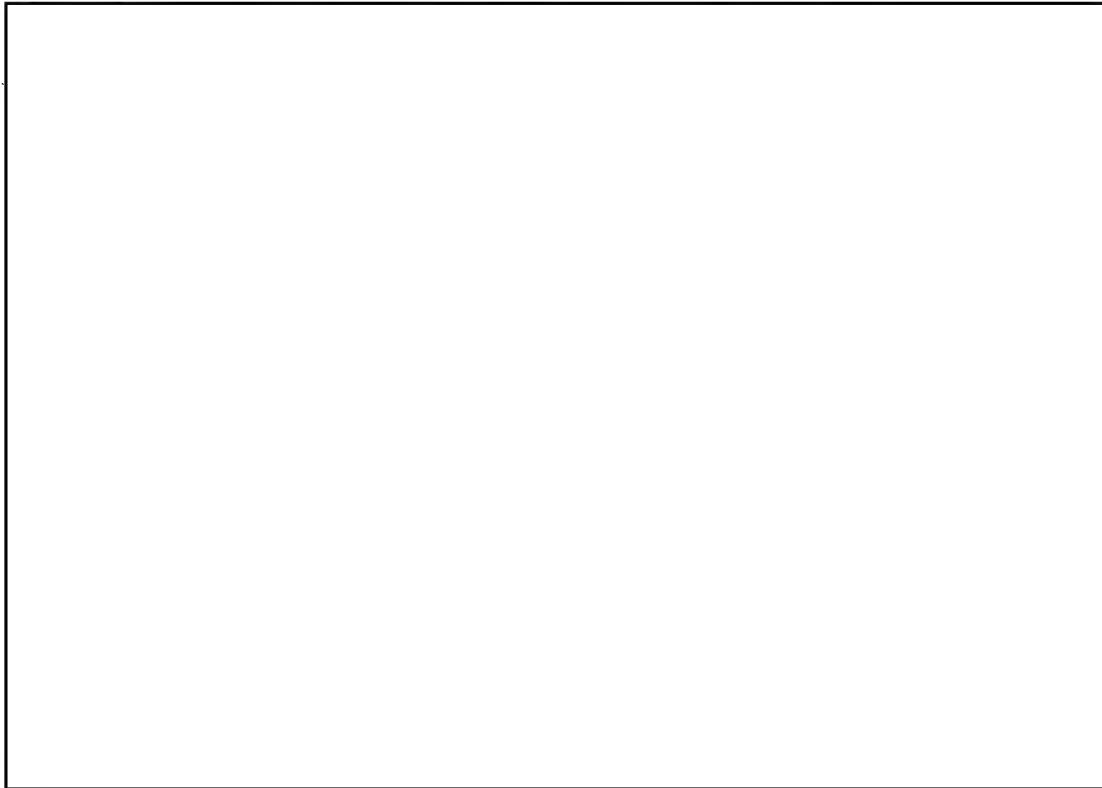
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record, a number of truly remarkable positive intelligence acquisitions and the 30% instead of the traditionally believed 5% contribution you make to our current knowledge of what is going on in the world.

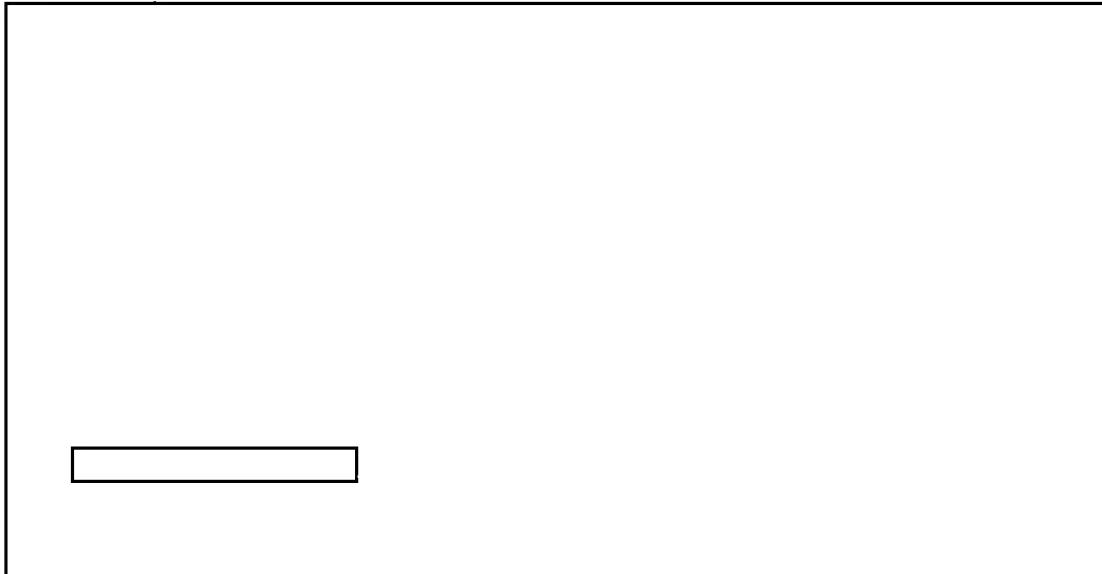
5. The above being said, I know you share my concern over the size of our Headquarters. I think the only way to make a real impact on this is to examine the utility of some of its activities and to consider what alternate kinds of structure might do what is still necessary, although less than what has been traditional. A key factor in such a review is the development of mature and responsible Chiefs of Station and your own procedure of delegating much decision-making to them. This contrasts with earlier days when an extremely tight Headquarters review was maintained, requiring an extensive exchange of paper between Headquarters and the field. I know you have reduced Headquarters-originated "guidance" very substantially in an effort to break the chain of desk officer writing to case officer and vice versa. Your elimination of the project system and replacement with the MBO in my view made a major step in the right direction in this regard. But a functional review of what desks actually do, ranked in order of importance, might surface some matters whose importance is somewhat dubious these days.

6. The Headquarters structure is worth examining in one respect, however, which I commend to you. The present hierarchy goes from desk to branch to division to Directorate (I know you have removed the staffs from this hierachial progression to a great degree). I note, however, some tendency to put another "area" echelon between division and branch in at least two of your divisions. With the scope of their responsibilities I understand this, but I am a little concerned at the increase in the number of echelons. We know the frustration of the Foreign Service Officer with the terrible set of stairs he faces to get a cable dealing with policy released in the State Department. We might examine whether we can reduce the number of echelons. Perhaps the branch is the one which could possibly be reduced in favor of separate desks reporting to division level, or in other cases a number of desks could be merged into one branch without subdivisions below it. Obviously this will vary according to the division and country involved, a matter I leave to you.

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9. I particularly appreciate this draft study's discussion of each division and its encouragement of each division to look at its own structure and its identification of certain matters for particular study. I will not involve myself in this except to suggest that I do concur that some appropriate look be made at the [redacted] separation, whose origins were perhaps valid in history but may have less to speak for them now.

10. One last comment. The excellence of this analysis of your Headquarters by your own staff reinforces my belief that this is a job best done in the command line by the units in question rather than by the Inspector General, in its former divisional reviews. You have certainly focused on a number of the problem areas and opened up some big questions for further study.

II. Overseas Staffing

11. Again an excellent survey. I particularly like the way you have tried to categorize the different stations. The only argument I would have with the categories is a question whether your Category II is really Category III and vice versa, in terms of priority, as you state elsewhere that you believe Categories I and II are essential. I wonder whether really we may not be in a situation where Categories I and III are really essential whereas Category II could drop to the level of being important. There is a method in my question, which is to secure NSC and State Department concurrence with such an approach and the desirability of increasing their receptivity to including

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12. Again I would suggest that a time and motion study on the actual work done by our stations and the day's activity of selected case officers would be a useful add-on to an analysis of their strength. I know you've tried to relieve the field

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of much useless reporting and I know that you are developing automated systems to the extent you can to handle some of their administrative activities which otherwise require personnel in the field, in order to save manpower for operational use. You are clearly well advanced in your program to stress the value of the stations' products as the mark of their importance, through your MBO system, grading procedures and periodic reviews. A time and motion study might be a useful analysis, however, to apply to a few stations to see if it identifies substantial problem areas subject to change.

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14. I am not competent to analyze in detail the resource requirement analysis you have conducted on the various stations and divisions. I am delighted that you are going at this in a methodical way and I am confident that this kind of analysis will indeed assist in the process of ensuring maximum resource utilization. I know you do so in your semi-annual reviews but it would be valuable if there could be some qualitative feature added to these analyses indicating the value of the stations product during the past year. I think this could raise some questions about productivity in addition to priority. Obviously low productivity over an extended period of time casts into question the desirability of continuing to beat one's head against a particular wall, despite its priority.

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Next 2 Page(s) In Document Exempt

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